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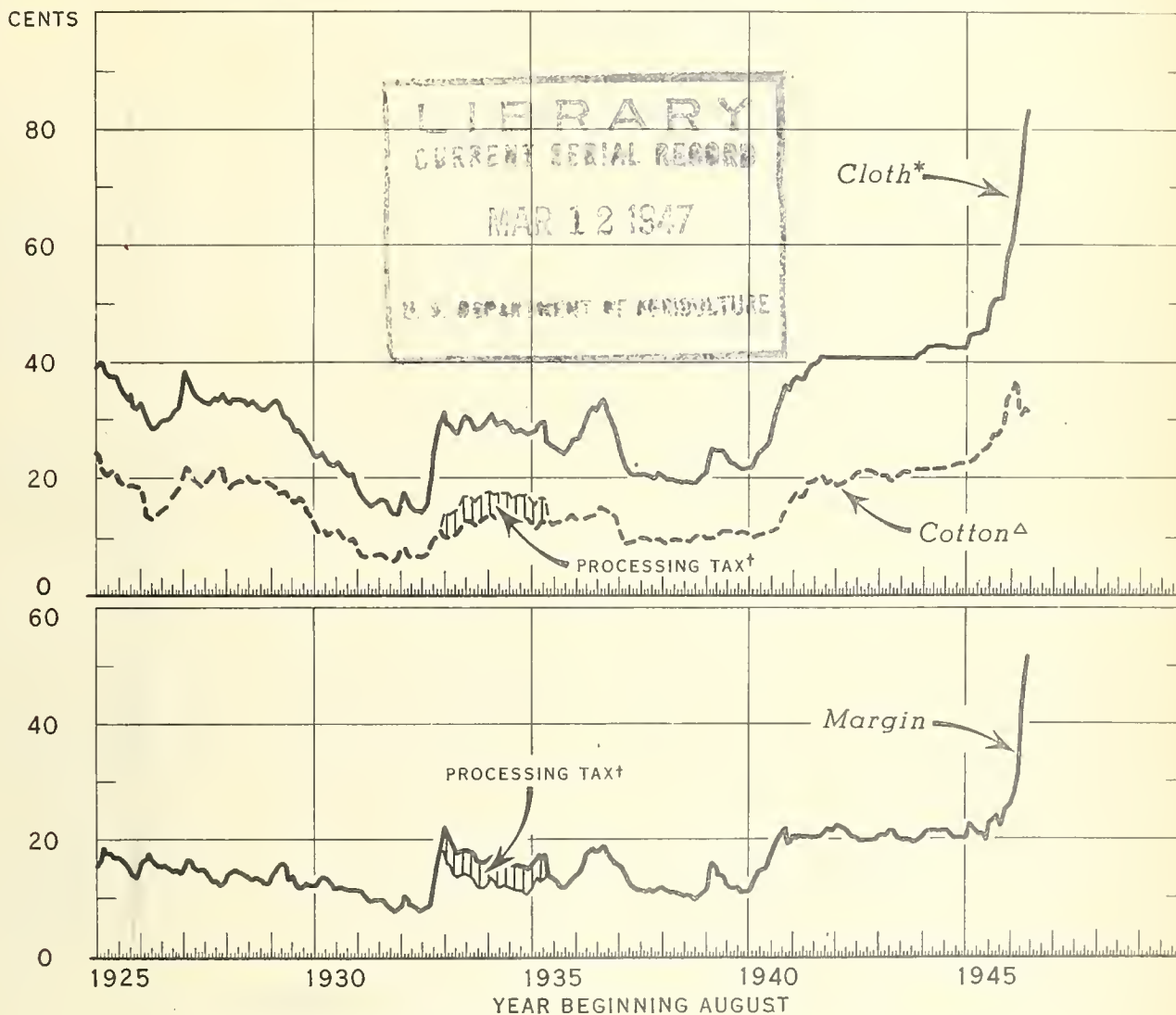
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

CS - 116



JAN.-FEB. 1947

PRICES OF RAW COTTON AND OF CLOTH*, AND MANUFACTURERS' GROSS MARGIN, 1925-46



*WHOLESALE PRICE OF CLOTH OBTAINABLE FROM POUND OF COTTON (AVERAGE
17 CONSTRUCTIONS OF UNFINISHED CLOTH, I.O.B. MILL)

△ SPOT PRICE PER POUND IN SOUTHERN MARKETS OF AVERAGE GRADES AND
STAPLES COMMONLY USED IN PRODUCTION OF CLOTH QUOTED

† 4 CENTS PER POUND ON RAW COTTON

U. S. DEPARTMENT OF AGRICULTURE

NEG. 26327

BUREAU OF AGRICULTURAL ECONOMICS

Mill margins, or the difference between domestic prices of unfinished cotton textiles and of raw cotton, have advanced to record levels since the beginning of the current season, despite the marked advance in cotton prices. During the period of price controls, mill margins were stabilized around the 20-cent level. With the easing of price controls, mill margins advanced gradually. During the past three months, a sharp rise occurred, due in part to the removal of price controls on textiles and in part to the sharp drop in cotton prices in mid-October. Current margins, if maintained, should stimulate capacity mill operations, although exceptionally favorable margins have been offset in part by higher wage rates and other costs.

STATISTICAL SUMMARY

Item	Unit or base period	1946			1947	Pct. of year ago
		Jan.	Nov.	Dec.	Jan.	
Prices:						
Middling 15/16-inch, 10 markets	Cent	24.71	30.89	32.38	31.88	129.0
Farm, United States	Cent	22.36	29.23	29.98	29.74	133.0
Parity	Cent	21.95	26.29	26.41	26.66	121.5
Farm, percentage of parity	Percent	102	111	114	112	109.8
Premium of 1-1/8 inch over basis 1/						
Memphis	Point	190	125	144	170	89.5
Carolina "B" mill area	Point	420	351	375	375	89.3
Cloth, 17 constructions	Cent	45.04	71.25	79.66	83.34	185.0
Mill margin, 17 constructions	Cent	20.68	40.78	47.72	51.60	249.5
Cottonseed, farm price	Dollar	50.90	89.90	91.50	90.40	177.6
Cottonseed, parity	Dollar	39.90	47.80	48.00	48.50	121.6
Cottonseed, farm pct. of parity	Percent	127.6	188.1	190.6	186.4	145.1
Consumption:						
All kinds during month, total	1,000 bales	811.2	877.5	774.2	947.0	116.7
All kinds cumulative, total	1,000 bales	4,405.0	3,482.6	4,526.8	5,203.9	118.1
All kinds per day, total	Bales	36,061	42,803	36,866	4,209.0	116.7
All kinds, annual rate	Million bales	9.2	11.0	9.5	10.8	117.4
American-Egyptian cotton, total	Bale	1,938	984	697	1,004	51.8
American-Egyptian, cumu- lative	Bale	10,314	5,569	4,986	5,990	58.1
Foreign cotton, total	Bale	17,599	21,900	19,957	23,401	133.0
Foreign cotton, cumulative	Bale	81,983	118,558	109,430	132,831	162.0
Stocks, end of month:						
Consuming establishments	1,000 bales	2,366.3	2,105.7	2,226.8	2,259.0	95.5
Public storage and compresses	1,000 bales	9,970.3	6,212.2	5,985.6	5,234.7	52.5
Total 2/	1,000 bales	12,336.6	8,317.9	8,212.4	7,493.7	60.7
Egyptian cotton, total 2/	Bale	60,628	51,867	66,750	68,415	112.8
American-Egyptian cotton, Total 2/	Bale	24,454	5,269	7,343	6,459	26.4
Exports:						
All kinds, during month	1,000 bales	293.2	445.1	356.8	3/	4/165.8
All kinds, cumulative total	1,000 bales	1,431.9	1,202.7	1,559.5	3/	4/136.9
Imports:						
All kinds, during month	1,000 bales	11.9	49.7	14.6	3/	4/76.0
All kinds, cumulative total	1,000 bales	134.9	144.1	158.7	3/	4/122.1
Index numbers:						
Cotton consumption	1935-39=100	138	164	141	161	116.7
Prices paid, interest, and taxes	1910-14=100	177	212	213	215	121.5

1/ Premiums for Middling 1-1/8 inch, based on near active month futures at New York.

2/ Includes only stocks in mills and public storage and at compresses.

3/ Not available.

4/ Percentage comparison between December 1946 and December 1945.

Compiled from official sources.

T H E C O T T O N S I T U A T I O N

Approved by the Outlook and Situation Board, February 25, 1947

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(For Release March 6, P. M.)

SUMMARY

Record mill margins-- the difference between raw cotton prices and the price of unfinished cloth--currently provide a marked incentive for manufacturers to continue mill operations at near capacity. Mill margins averaged 51.60 cents per pound in January or 62 percent of total cloth prices compared with 25.93 cents in August or 43 percent of total cloth prices. The January rate is $2\frac{1}{2}$ times the 1945-46 season average, and 4 times the 1935-39 average. Current margins are exceptionally favorable to mills even though wage rates and other costs have increased during the past year or more. Textile producers doubtless are aware of the possibility of adverse effects on sales resulting from consumer resistance to high cloth prices which permit such wide mill margins.

Domestic mills in January used an average of 42,090 bales of cotton per working day, about 11 percent more than the December rate and the highest rate for the same period since 1942. If mill use during the remaining six months continues at the average rate for the first half, total consumption for the year will equal 10.3 million bales. Consumption could decline as much as 8 percent in the last half and total 10 million bales for the year, $3\frac{1}{4}$ million more than in 1945-46. If exports total 3 million bales and imports 200,000, carry-over next August 1 will be about 3 million bales, less than half the carry-over last August 1, and the smallest since 1929.

Cotton prices at the 10 markets in mid-February had regained the 3-cent loss of mid-January and were approximately the same as in the first few trading days of 1947. Recent price advances have been greatest for the low grades with discounts narrowing considerably since October. Major factors bolstering prices are: the greatly reduced supplies of free cotton, and the apparent general belief among the trade that the effective demand will continue strong through the remainder of 1947.

Exports during the first 5 months of 1946-47 totaled 1.6 million bales, half a million up from last season. About 35 percent of this total were exports to Germany and Japan from CCC stocks. Shipments under these arrangements were about $3\frac{1}{4}$ filled by the end of January. The trade exported about a million bales through December and by the end of January had registered for export this year an additional 1.2 million bales. Leading countries in export registrations through January are: the United Kingdom, 476,000 bales; Italy, 341,000 bales; China, 361,000 bales; Canada, 270,000 bales; and France, 257,000 bales.

The United States and Brazil are the only countries that have significant supplies of medium staple cotton available for the export trade. The spread between the prices in each nation has narrowed about 25 percent since the first $2\frac{1}{2}$ months of this season. The recent reduction of our export subsidy to 2 cents per pound and a greater rise in prices in this country in the past month has made Brazilian cotton about $3\frac{1}{2}$ cents per pound less at port.

Because of increased consumption of Egyptian and Peruvian cotton in the United States and the filling of this year's import quota, the cotton trade is asking that quotas for the year ending September 19, 1947 be revised upward. The Tariff Commission held a public hearing on this request February 18, and the decision will be announced later.

Rayon production may increase about 25 percent over 1946 by the end of 1948 if the new plants now being built and those already in operation are run at full capacity, according to the Textile Economic Bureau Incorporated. Production at capacity would equal 1,120 million pounds annually or the equivalent of 2.6 million bales of cotton compared with about 891 million pounds or 2.1 million bales for 1946.

Fertilizer tag sales in eleven of the Southern states between last July 1, and January 31, 1947 totaled 3.7 million tons, 27 percent greater than for the same period a year ago. This indicates that a larger amount of fertilizer probably will be used on the 1947 cotton crop than in 1946.

In December the British Government announced a program, designed to modernize the English textile industry with the hope of eventually regaining its former place in the textile export market. The Government agrees to reimburse mill operators to the extent of 25 percent of the cost and to provide funds at low interest rate for the remainder of the cost of modernizing their plants provided certain requirements are carried out. Textiles are to contribute substantially to the export trade which it is hoped may be expanded 75 percent above the prewar level. In the long run this development may increase British imports of cotton from the United States and other countries.

THE DOMESTIC SITUATION

Mill Margins at Record Level-- Consumption Continues High

The present price ratio of raw cotton to unfinished cloth is the most favorable on record. Mill margins averaged 51.60 cents per pound for January, almost double the August margin of 25.93 cents. This margin is almost 2-1/2 times the average for the 1945-46 season, and 4 times the 1935-39 average.

Mill margins in absolute quantities vary as a rule in direct relation with the general price level and are, therefore, expected to be high under the present situation. However, with an increasing price level, mill margins usually increase at a lesser rate than do cotton prices so that they equal a smaller percentage of the total when both cloth and cotton prices are high. For example, during the 21 seasons (1925-45) for which mill margins have been computed cotton prices have averaged 15 cents or higher for 12 seasons and mill margins for such years averaged 47 percent of total cloth prices and exceeded 50 percent for only 3 of these years. During the 9 years when cotton prices averaged under 15 cents, mill margins averaged 55 percent of total cloth prices and fell under 50 percent for only one season. At present, this pattern is not being followed. Despite the present high level of cloth and cotton prices compared with the 1945 season or earlier, mill margins in January were equal to 63 percent of total cloth prices. This compares with 43 percent for August and the 1935-39 average of 54 percent. The rapid advance since August has resulted from the downward adjustment in cotton prices in October and increases in cloth prices above former ceilings.

Although current margins are unusually wide, wage rates and other costs have advanced considerably compared with a year or more ago. It is not known to what extent the influence of the increases in mill margins or profits have been offset by changes in these costs, but present mill margins should stimulate continued mill use at the current high rate. Recognition might also be given to the fact that spot cloth prices have been exceptionally erratic since the removal of price controls.

Domestic mills consumed 947,036 bales during January. This is the highest total consumption for that month since 1942 and higher than any other month in the current season. Consumption was 774,177 bales in December and 811,218 bales in January a year ago. The daily rate of mill consumption per working day averaged 42,09 bales for January compared with 36,866 bales for December and the season average prior to January of 39,783 bales. Consumption through January of the current season totaled 5,203,863 bales compared with 4,405,030 bales during the first 6 months of last season. This is the highest first-half season consumption since 1942-43 when total consumption for the year ran at 11.1 million running bales. Should mill use average as high during the last half as for the first six months 10.3 million bales would be used this year. Consumption could decline as much as 8 percent in the last half and total 10 million bales for the season. Should consumption run at this level, assuming exports at 3 million bales and imports of 200,000, the carry-over on August 1, 1947 will be about 3 million bales. This compared with a carry-over of 7.5 million bales last August 1 and would be the lowest since 1929.

Prices Regain Mid-January Loss of 3 Cents

Prices of Middling 15/16" cotton at the 10 markets averaged slightly under 33.5 cents per pound in mid-February, approximately the same as in early January. The mid-January loss of about 3 cents per pound was regained as a result of steady advances since January 20. Factors contributing to the advance are the declining supplies of cotton for spot trading and the apparent general belief in the trade that the effective demand during the remainder of 1947 will continue strong. January sales in the 10 markets averaged 127,000 bales per week, compared with 162,600 bales in December, and a weekly average for January 1946 of 154,000 bales.

Discounts on Low Grades Smaller

Prices for low-quality cotton improved significantly in relation to Middling 15/16" staple during December and January. As a result, the abnormally wide discounts of the past several months have been reduced to about the same relationship to the base prices as prevailed during the war. Discounts for lower grades began widening in the later part of 1945 along with increasing cotton prices.

They became unusually wide by the close of the 1945-46 season and continued to increase through November when the discount, for 7/8-inch Strict Low Middling averaged 312 points; for 7/8-inch Low Middling, 721 points; and for 7/8-inch Strict Good Ordinary, 1144 points. This compares with discounts of 302, 534 and 785 points a year earlier. The wide discounts during the last few months of the 1945-46 season and the early part of the current season, stimulated the use of low-grade cotton in domestic mills and in export trade. Since November, the discounts for 7/8-inch Strict Low Middling have declined rapidly. They averaged 261 points for January and on February 15 were only 253 points. The average discount for 7/8-inch Low Middling for these two periods were 568 points and 542 points. Discounts for 7/8-inch Strict Good Ordinary for the same periods averaged 377 and 329 points. Expressed as a percentage of the base price, discounts at present are slightly smaller than they averaged during the three seasons 1942-44. The recent adjustment in prices for low-grade cotton may be attributed mainly to the increasing scarcity of these grades. In addition, the proportion of the lower grades in the 1946 crop was less than usual. Trade sources indicate that such cotton is becoming increasingly scarce and that before the 1947 crop becomes available mills will probably have to shift more spindles to the better grades and medium staple cotton.

Futures Markets Discount Deliveries
After 1947 Harvest Begins

In the futures markets, discounts for contracts for delivery after harvesting of the 1947 crop begins have become exceptionally wide. In January, the average price of October futures in the New York market was 26.66 compared with spot prices for the month averaging 31.88 cents at the 10 markets, the greatest spread between the two prices since 1924. Since 1900 futures for October delivery have averaged lower than spot prices at the 10 markets in January for 35 out of the 47 years. The differences however, have exceeded 2-1/2 cents only in 1919 (7.8 cents below), in 1920 (10.23 cents), in 1924 (5.56), and in 1947 (5.22 cents). The discount on new crop futures indicates a shortage of immediate supplies in relation to demand.

Exports for First Five Months of
Current Season Higher than in 1945-46

Exports during the first five months of the 1946-47 season totaled 1.6 million running bales compared with 1.1 million bales exported during the same period last season, according to reports of the Bureau of the Census. The increase is mainly due to the fact that shipments to Germany and Japan under Government contract arrangements bolstered exports during the first half of this year. Last year, shipments to Japan did not start until April and the first shipments to Germany were made in July. Shipments to these countries equalled almost 35 percent (Germany, 117,407 Japan 421,439 bales) of the exports during the first five months of this season. Other countries to which shipments were

larger this year include Italy with 228,212 bales compared with 106,301 bales for the like period last year, other European countries with 319,181 bales compared with 206,314 bales, and China with 68,849 bales compared with only 28,371 bales last year. Shipments of American cotton to a number of the major importing countries were reduced significantly during the first part of 1946. Only 113,979 bales were shipped to France during the first 5 months of this year compared with 394,609 bales for the same period last year. Shipments to the United Kingdom totaled 116,863 bales compared with 146,419 bales last year, and for Canada only 126,757 bales compared with 166,505 bales. Reduced shipments of U. S. cotton to France and the United Kingdom are mainly due to the large supply of cotton on hand in each country at the beginning of the season. Also, the higher prices for U. S. cotton during the first 2-1/2 months of the current season may have shifted interest to some of the other exporting countries.

Registered sales through February 8 and scheduled for shipment this season under the Cotton Sales for Export Program totaled 2.2 million bales. Slightly more than half of these registrations have been made since August 1, 1946. The remainder are sales that were registered prior to August 1. In addition to the commercial shipments under the Cotton Sales for Export Program, approximately 900,000 bales will be shipped to various countries during 1946-47 by the Commodity Credit Corporation. About 57 percent of these shipments had been made by December 31 and another 18% by January 31.

Registrations for shipment between August 1, 1946 and July 1, 1947 under the Cotton Sales for Export Program by countries to which shipments are to be made are as follows: United Kingdom 476,000 bales, Italy 341,000, China 361,000, Canada 270,000, France 257,000, Belgium 103,000, Czechoslovakia 86,000, Switzerland 87,000, Holland 74,000, and other countries 138,000 bales.

Consumption and Exports of U. S. cotton Up
from Last Year; End-January Stocks lowest
in Seventeen Years

Consumption and exports of all cotton in the United States during the first half of the current season (excluding exports in January) were 6.8 million bales, 1.3 million bales higher than the 5.5 million bales used and exported during the same period last year. Domestic mills consumed 5.2 million bales through January 31 and about 1.6 million bales were exported through December 31. Exports for January are not included in the above figures.

On the basis of the above figures and not accounting for imports in January, stocks of cotton in this country on January 31 were about 9.1 million bales compared with about 14.4 million bales a year ago. Stocks on hand January 31 as computed above were at the lowest level on that date in seventeen years. Of the stocks on hand at the end of January 2,259,000 bales were in mill warehouses and 5,235,000 bales were in public storage and in compresses.

Imports of Long Staple Increase--
Higher Quotas Considered

Domestic use of long staple foreign cotton has increased rapidly during the past few months and the import quota for this year has been filled. Quotas now in effect permit annual imports of 45,656,420 pounds or 95,516 bales (500 pounds gross weight) of cotton having staple length of 1-1/8" to 1-11/16". The quota year began September 20 and by November 28 the full quota for this year had been filled. For the five months, August through December, imports from Egypt and Peru the chief sources of foreign-grown long staple cotton, totaled 111,533 bales.

Consumption of foreign-grown long staple cotton has increased recently and mill use of American-Egyptian has been maintained to the limits of available supplies. Since last August 1 mills have used 67,500 bales compared with 48,000 bales during the same period last year. Consumption of these growths ranged from 57,000 to 100,000 bales during 1935-39 and increased to 161,000 bales in 1942. During the following 3 years mill use declined and was only 107,000 bales in 1945. The average rate during the first half of this season is 15 percent below the 1942 annual rate.

The supply of foreign-grown long staple cotton plus American-Egyptian cotton for 1946-47 based on imports through December 31 totals slightly over 163,000 bales. This is made up of 54,140 bales carry-over last August 1, imports of 111,533 bales from Egypt and Peru through December 31, and the 1946 domestic production of about 2400 of American-Egyptian bales.

Owing to the filling of the import quota, the trade requested the Tariff Commission to hold a hearing to consider an increase in the quota for this season. Such hearing was held on February 18 and the trade contended that the supply of cotton stapling 1-1/8" and longer and having the qualities desired by mills is not adequate to meet requirements for such cotton. The recent increase in the use of Egyptian and Peruvian cotton is due largely to the favorable prices for such cotton compared with the domestic prices of American - Egyptian (SXP) and Upland long staple cotton and to the reduced supplies of American-Egyptian cotton. Supplies of American-Egyptian cotton have decreased rapidly since the war, as production dropped sharply. In 1946 only 2,345 bales were ginned through January 15 from the 2,800 acres harvested. This compares with production of over 75,000 bales in 1942 and production during 1935-39 ranging from 12,000 to 28,000 bales annually. Since the end of the war prices of Upland cotton have advanced in relation to prices of American-Egyptian cotton to the extent that production of the Upland types is definitely more profitable to farmers. American-Egyptian yields less per acre than upland cotton grown in the same areas and is more expensive to harvest.

Attention should be directed to the adequate supply of American Upland cotton with a staple of 1-1/8" and longer. The August 1 carry-over of such cotton plus ginnings through December 12 totaled 795,000 bales compared, with 771,000 bales carry-over and ginnings for the same period last year. Disappearance of Upland cotton of 1-1/8" and longer to domestic mills and export trade last year was only 228,000 bales and 380,000 bales in 1944-45. The August 1 carry-over plus ginnings through December 12 is equal to slightly more than 2-1/2 years requirements based on the average rate of disappearance for the past two seasons.

Recent Announcements Relating to Cotton

The President officially proclaimed the end of hostilities in World War II for 12 o'clock noon December 31, 1946. This limited present legislative commitments to support the price of cotton at 92-1/2 percent of parity to the 1947 and 1948 crop seasons.

Early in January Secretary Anderson announced a final 1947 goal for cotton of 23.1 million acres. This is slightly above the 23 million acres recommended to State Agricultural Councils last November. If yields average 263 pounds per acre as estimated, the goal acreage would produce 12.6 million bales of 500 pounds gross. This would be substantially above the 8.5 million bales produced in 1946 and approximately equal to the 1935-44 average production.

The Department of Agriculture announced on February 13 that "effective at 6:00 P.M. E.S.T. and until further notice, the export differential applicable under the terms and conditions of the cotton sales for export program, dated April 22, 1946, shall be two cents per pound of cotton, gross unpecked weight."

The cotton export subsidy formerly was 4 cents per pound and was first initiated under the Surplus Property Act and became effective on November 15, 1944. In the beginning the cotton for export under this program came from C.C.C. stocks, which could be purchased for export at 4 cents below the domestic price. Since early in 1946 when C.C.C. stocks became inadequate to continue such program, the cotton export subsidy program has been financed by funds available under Section 32 of Public Law 320, 74th Congress. According to the announcement the demands on these funds for other crops as well as cotton make it necessary that the export subsidy rate be reduced.

Fertilizer Tag Sales Up in Cotton States

Fertilizer tag sales in eleven Southern states between July 1, 1946 and January 31, 1947 totaled 3.7 million tons 27 percent more than the 2.9 million for the same period in 1945, according to the National Fertilizer Association.

The use of fertilizer in the Cotton Belt, as indicated by tag sales, has increased each year since 1938 with the exception of 1944. In 1946 tag sales were about 75 percent above the 1935-39 average. The increase for the last half of 1946 indicates that the total fertilizer used this year will be somewhat higher than the total used last year.

Rayon Plant Capacity To Expand 25 Percent By End of 1948

By the fourth quarter of 1948 (calendar year) plant capacity of the American rayon industry is expected to expand approximately 25 percent above total plant capacity as of November 1946 according to a recent survey by the Textile Economics Bureau, Inc. ^{1/} According to this survey the industry's plant capacity will be sufficient to produce 1,120,000,000 pounds annually by the end of 1948 compared with annual capacity last November of 891,000,000 pounds. If plants should operate at capacity, production would equal about 2.0 million bales of spinable cotton fiber, 0.5 million bales more than the November 1946 capacity.

Whether or not this industry will operate at capacity depends largely upon the availability of labor and raw materials. Shortages of caustic soda, coal and other materials and labor difficulties limited production in 1946. Despite these factors, 1946 production is estimated at 854 million pounds, the largest in history. Production for 1945 totaled 792,000,000 pounds. This compares with an annual average of 312,000,000 pounds in 1935-39.

^{1/} From January issue of the Rayon Organon, a publication of the Textile Economics Bureau, Inc.

THE FOREIGN SITUATION

Spread Between Foreign and American
Cotton Prices Generally Narrower
Than Early in Season

The spread between the price of American and foreign cotton was reduced during the last two months of 1946, mainly because of the downward adjustment of prices in the domestic markets. The price of Middling 15/16-inch cotton at New Orleans and of Sao Paulo Type 5 was about $3\frac{1}{2}$ cents per pound closer together in January compared with the first $2\frac{1}{2}$ months of the current season and was about the same as during July of last year. Brazilian prices are for Sao Paulo, an interior market. Adjusting for transportation to port and for the export tax and other expenses, which together amount to about 2.65 cents per pound, and for the export subsidy of 4 cents per pound on American cotton, the export prices of American and Brazilian cottons were about equal in January. However, the February advance in domestic prices together with the reduction of the export subsidy to 2 cents per pound has made Brazilian cotton about $3\frac{1}{2}$ cents per pound less at port.

The spread between prices of 15/16-inch Middling in Torreon, Mexico, and in New Orleans was smaller by about 8 cents, in January, or 75 percent less than the average for August. The advance in domestic prices during the last three weeks has increased the spread to less than half of the difference last August. Cotton prices in Mexico increased less rapidly than domestic prices during the late summer and early fall, and never were much above 30 cents. Since early November, however, Mexican prices have declined only about 1-1/2 cents despite the unusual drop in domestic prices that occurred during late October and in November.

Cotton prices in India have increased slightly since last October but, due to Government controls, the change for most types has been less than one cent per pound. Prices of Egyptian cotton also have not changed much, although the extent of change as well as the direction has varied for different types. Prices for Karnak (Good) have declined from slightly under 38 cents early in November to about 34 cents early in February, but most other types have maintained their November levels. Thus the change in spreads between the price of American cotton and Egyptian and Indian cotton since the early part of the season has resulted mainly from fluctuation in domestic prices.

At present, the only countries other than the United States that have a sizeable amount of stocks to enter export markets are Brazil, Egypt and, to a lesser extent, India. Because of domestic needs, India restricted exports beginning in May 1946 for cotton having a staple length of 11/16" or longer which last year made up only 14 percent of production. Exports, most of which are of the shorter staples, totaled 205,000 bales through December of this year compared with 700,000 for the same period for 1939. Since the Egyptian cotton is long staple and does not enter into the same uses as do the medium staples, Brazil and the United States are at the present time the principal competitors in supplying world markets with the medium staples. Argentina normally exports upward of 100,000 bales but, because of short crops during the past three seasons, sales for export have been prohibited since last July. In addition there are some thirty or more minor cotton producing countries which in the aggregate normally export a sizeable volume of cotton.

British to Modernize Cotton
Textile Industry

The British Government's first program to modernize the cotton textile industry was announced early in December by Sir Stafford Cripps, President of the Board of Trade. The plan was developed largely from findings and recommendations of the Board of Trade's "working party" after an extended study of conditions in the industry.

The Government proposes to reimburse cotton spinners under certain conditions to the extent of 25 percent of the cost of replacing obsolete spinning machinery with modern equipment. The plan is entirely optional to industry, and spinners will be allowed to work out modernization plans in their own way. An attempt, however, will be made to encourage small units to consolidate into larger enterprises, with a minimum of not less than half a million spindles. Orders for new machinery must be placed within two years and installation completed within the next 5 years.

The Government's program aims to bring the industry to a level of efficiency at which it can again compete successfully in the world's textile export market. It considers it essential to the economic welfare of the nation that postwar export trade be expanded to 75 percent above that of the late prewar years, and the textile industry is expected to contribute substantially to this improvement. Prior to World War I, cotton textiles were, by a wide margin, the leading item in Britain's flourishing export trade. Since that time exports have gradually declined. After the outbreak of the war in 1939, nearly half the mills were closed and workers were transferred to more essential war activities.

Although recovery of production since the war has not been very great, the easing of requirements of the armed forces and continued strict rationing to civilian consumers have made possible some revival of textile exports. The inability of mill operators to recruit labor has prevented more rapid expansion in production and exports. Only 275,000 workers are employed in spinning, doubling, and weaving of cotton textiles compared with 370,000 in 1937. This represents a net gain of only about 20,000 workers since January of 1946. The recruitment of prewar numbers is not considered possible, and the revival of the industry must depend upon a much larger output per person. This can be accomplished only by the installation of more automatic machinery and the improvement of plant organization. If this project is successful in the long run it may result in the importation of more cotton from the United States and other countries.

Mexico's 1946 Textile Output
Equals 1945 Level; Income from
Sales Up Sharply

The volume of production of textiles in Mexico ran at near capacity level during 1946 with the exception of slight let-down during the last two months of the year. according to reports received by the Office of Foreign Agricultural Relations. With approximately the same output as in 1945 and with prices for the year averaging some 30 percent above the level at the beginning of 1946, the returns to textile mill operators were considerably larger during 1946 than in 1945.

Because of the almost complete curtailment of exports in some of the older textile producing countries during the war, Mexico was able to develop a substantial export market for cotton textiles. Returns from shipment of cotton cloth expanded from a few hundred thousand pesos in 1940 to close to 200 million pesos in 1945. Concurrently, domestic demands increased and the industry with its antiquated machinery and restrictive labor laws was unable to satisfy both markets. During 1946, although production continued at a high level, exports fell off decidedly because of the re-entry of the old cotton fabric producing nations into the export field. By October 1946, shipments had declined nearly 70 percent from their January level. Manufacturers were able to shift a part of their goods to other countries. Mill operators in Mexico are not optimistic about retaining a part of the export market in the future when the older textile producing countries regain their prewar production levels.

The chief problems facing the industry in the future are the modernization of existing plant equipment and the modification of restrictive laws governing contracts with workers. Modernization of textile mills depends on the possibility of obtaining new machinery from other countries, mainly the United States, and possibly from one or two European countries.

Indian Mill Consumption Reduced Sharply Compared with Year Ago

Mill operations in India were reduced considerably during the current season compared with a year ago. In December mills used only 224,000 bales of 500 pounds gross weight of Indian cotton compared with 215,000 in November and 304,000 in December of last year. For the first five months of the current season Indian mills used about 1,110,000 bales compared with 1,497,000 bales for the same period last year.

A major factor contributing to the decline in production was the increase in strikes of mill workers and more than the usual amount of absence of workers from their jobs. Of significance, too, is the reported tendency of mills to shift to finer spinning due to price ceilings being more favorable for this type of production. Also mill operations continued to be interrupted by break-downs resulting from the heavy use of machinery during the war with the minimum of repair.

Brazilian Cotton Production Up from 1945 with Exports at Record Level

With rainfall and weather conditions generally favorable for planting in southern Brazil, the 1946 total Brazilian crop is estimated at 1,850,000 bales compared with 1,425,000 in 1945. Planting continued in southern Brazil through November, although most of the crop was planted in October. Seed distribution is reported some 13 percent larger than in 1945. However, the acreage is not expected to increase to this extent due to heavier seeding per acre. Estimated production from southern Brazil, where planting has just been completed, is now forecast at 1,400,000 bales. In northeastern Brazil harvesting is about completed and the crop is estimated at 450,000 bales.

Estimated exports during 1946 calendar year totaled 1.7 million bales, a new record. This is 13 percent above the previous peak reached in 1939.

Table 1.- Cotton prices: Comparison between American and foreign growths for specified dates, 1944 and 1946-47

Date	Type 5 at		M. 15/16"		Jarilla	
	M. 15/16"		at Torreon, Mexico		at Bombay	
	at New Orleans		Actual : M.15/16"at		Actual : M.15/16"at	
	: New Orleans :		: New Orleans :		: New Orleans :	
	Cents	Cents	Cents	Cents	Cents	Cents
1944						
Av. 1/	21.30	14.69	6.61	18.22	3.08	15.73
Nov. 15	Date on which Export Payment program became effective.					
1946-47 2/						
Aug. 2	33.95	25.90	8.05	24.62	9.33	17.79
9	36.05	27.51	8.54	24.62	11.43	17.71
16	35.80	26.87	8.93	25.64	10.16	16.94
23	35.90	25.74	10.16	25.64	10.26	15.98
30	36.30	25.91	10.39	25.64	10.66	15.75
Sept. 6	36.40	26.48	9.92	27.65	8.75	16.18
13	36.60	26.23	10.37	27.65	8.95	16.32
20	37.10	26.23	10.87	27.64	9.46	16.27
27	37.80	26.56	11.24	28.25	9.55	16.16
Oct. 4	38.55	27.38	11.17	28.25	10.30	16.31
11	38.55	27.87	10.68	29.67	8.88	16.23
18	33.30	26.23	7.07	29.67	3.63	16.77
25	33.10	26.72	6.38	30.18	2.92	16.77
Nov. 1	32.05	24.76	7.29	30.18	1.87	17.31
8	29.80	23.29	6.51	30.20	.40	17.31
15	31.05	23.78	7.27	29.68	1.37	17.31
22	30.35	24.11	6.24	29.69	.66	17.38
29	30.90	24.44	6.46	29.68	1.22	17.46
Dec. 6	30.90	24.60	6.30	29.68	1.22	17.54
13	32.05	24.60	7.45	29.68	2.37	17.61
20	32.85	25.25	7.60	29.69	3.16	17.38
27	32.05	25.42	7.63	29.69	3.36	17.23
Jan. 3	33.25	25.48	7.77	29.69	3.56	17.31
10	32.15	25.58	6.57	29.68	2.47	17.39
17	31.00	24.43	6.57	28.82	2.18	17.08
24	30.70	24.10	6.60	28.82	1.88	17.08
31	31.70	24.10	7.60	28.81	2.89	16.84
Feb. 7	32.75	24.43	8.32	28.81	3.94	16.92
14	32.95	25.42	7.53	28.81	4.14	16.75
21	33.55	26.40	7.15	28.81	4.74	16.69

1/ Average of Oct. 20, 27, Nov. 3 and 10, 1944 - the 4 weeks preceding the announcement of the 4.00 cents export payment for American cotton.

2/ The April 1945, Dec. 1945, - January 1946 and September 1946 issues of The Cotton Situation give comparable data prior to this date.

Prices at New Orleans are from reports of the Cotton Branch, Production and Marketing Administration. Foreign prices are from Cables received in Office of Foreign Agricultural Relations and converted to cents per pound at current rates of exchange.

Table 2.- Cotton and Rayon: Production in World and United States; Exports, Imports and Consumption in United States and comparisons, 1940 to 1946.

Year 1/	PRODUCTION						EXPORTS FROM	
	WORLD		FOREIGN COUNTRIES		UNITED STATES		UNITED STATES	
	Cotton	Rayon	Cotton	Rayon	Cotton	Rayon	Cotton	Rayon 2/
	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.
1940	13,841	2,475	7,816	2,004	6,025	471	1,925	4
1941	12,562	2,835	7,406	2,262	5,156	573	602	7
1942	12,836	2,680	6,680	2,048	6,156	632	533	7
1943	11,915	2,573	6,427	1,910	5,488	663	813	13
1944	11,357	2,082	5,484	1,358	5,873	724	498	20
1945	9,893	1,530	5,566	738	4,327	792	1,264	27
1946 4/	10,356	1,800	6,286	946	4,070	854	1,871	19

Year 1/	CONSUMPTION						CONSUMPTION OF RAYON		
	IMPORTS INTO		UNITED STATES		UNITED STATES		PER 1,000 BALES OF		
	UNITED STATES		TOTAL		PER CAPITA		COTTON CONSUMED		
	Cotton	Rayon	Cotton	Rayon	Cotton	Rayon	5/	Countries	States
	Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.	Pounds	Pounds	Bales	Bales 6/	Bales 6/
1940	79	18	3,959	482	29.8	3.63	219	280	114
1941	157	12	5,191	592	38.7	4.41	266	383	121
1942	109	3/	5,633	621	41.6	4.58	260	365	134
1943	70	3/	5,271	656	38.4	4.78	268	356	157
1944	56	3/	4,790	705	34.5	5.07	221	254	178
1945	122	2	4,515	770	32.2	5.46	153	121	204
1946 4/	180	33	4,819	875	34.6	6.16			

Data for Rayon from Rayon Organon, includes filament and staple except exports which include waste.

Estimates of cotton production (net) lbs. from Crop Reporting Board; production in foreign countries from reports of the New York Cotton Exchange Service. World production is summation of these data. Exports and Imports from Bureau of Foreign and Domestic Commerce and Consumption from reports of the Bureau of the Census. 1/ Calendar year for all rayon data; cotton exports, imports and consumption. Cotton production for year beginning August. 2/ Includes waste. 3/ Less than half a million pounds. 4/ Preliminary. 5/ It is assumed that outside of the United States rayon consumption is identical with production. 6/ Rayon consumption reduced to bales by dividing by 425.

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